Ogden Air Logistics Center

U.S. AIR FORCE

LANDING GEAR COMMODITY COUNCIL

10 Oct 2003

Maj Kurt Kolch
OO-ALC/LGHL
DSN 586-3248
Comm: (801) 586-3248
Kurt.kolch@hill.af.mil

Overview

- Commodity Council Explained
- Landing Gear Commodity Council
- Benefits
- Ambition
- Current Contracts

Ambitions

- Improve supportability
  - Reduce MICAPs and backorders
- Improve efficiency
  - Reduce lead times
- Lower costs
  - Administrative
  - Part
  - Storage
  - Distribution
  - Improved reliability, life

Commodity Council

Definition:

Commodity Management

Commodity Management organizes the procurement and supply chain functions to effectively manage the commodity groupings resulting in significantly improved effectiveness and cost reduction.

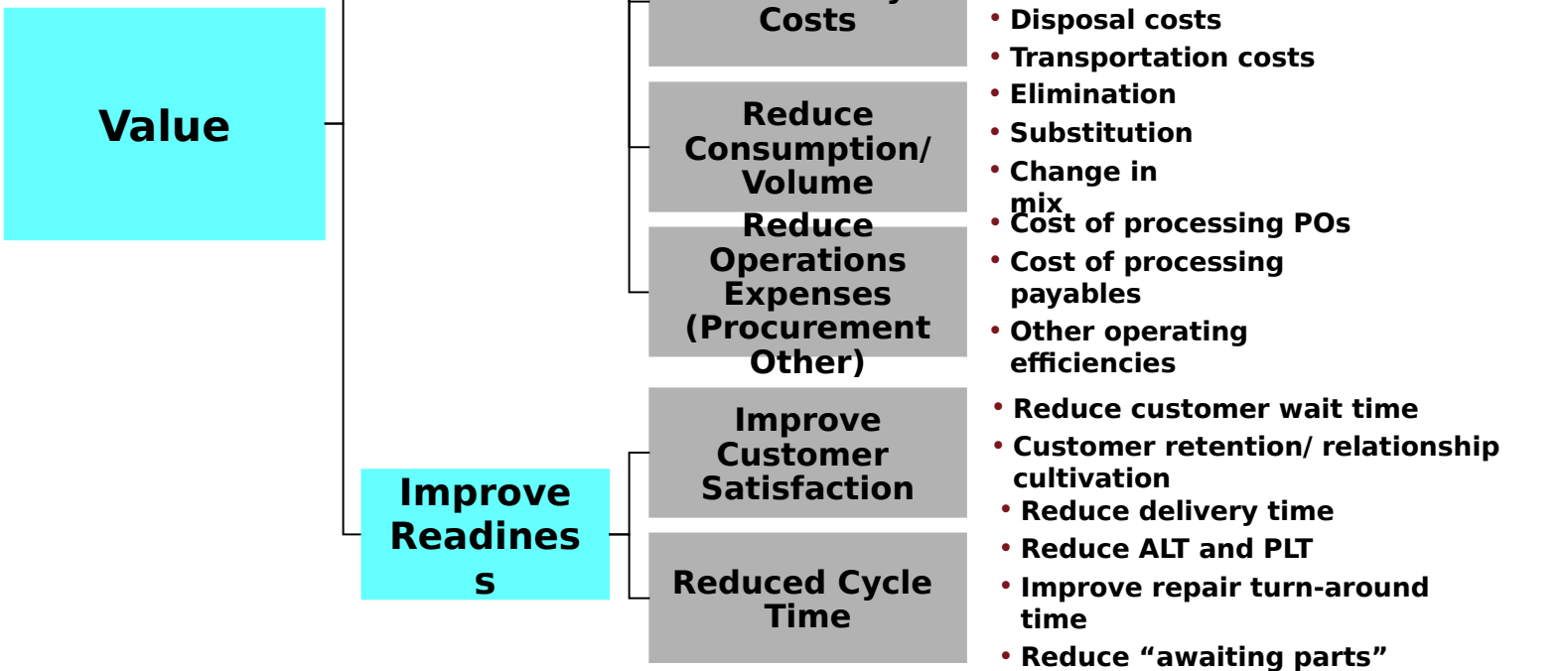
Commodity Council

- One of the six pillars of PSCM
- We will take the tenants of supply chain management and apply it to a particular commodity
- We will create a proactive supply chain
  - Encompass entire enterprise
- Our supply chain will be strategically oriented
  - All actions must think long-term
  - Leverage
- Cross-functional team

Commodity Council Characteristics

- **Knowledge of commodity (item, supply base, related processes, etc) yields greater sourcing value**
- **Leveraging our spend and existing commodity expertise across the enterprise**
- **A cross-functional approach is necessary to focus all the skills necessary for effective end-to-end supply chain management**
- **A knowledge network is necessary to maximize ongoing development, maintenance and effectiveness of enterprise commodity expertise**

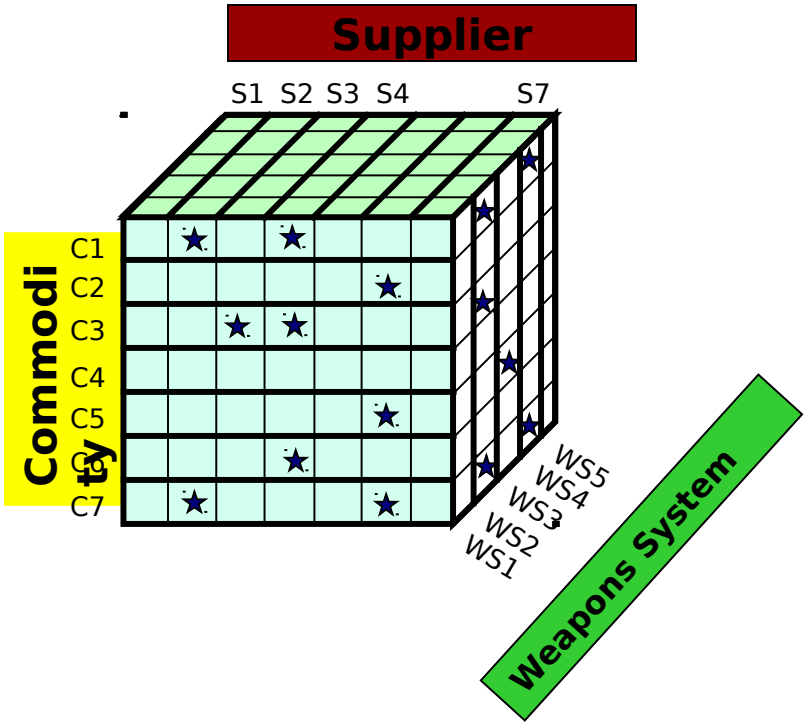
Potential Benefits



Difference

	Today	Commodity Council
Strategy / Policy	▪Tactical, non-enterprise, inconsistent, lack of compliance	▪ Enterprise governance, compliance mandate, performance linkage, accountable sourcing strategy
Process	▪Inconsistent, paper intensive	▪ Enterprise standard end-to-end process, commodity centric focus, maintain WPS & program view
Organization	▪Decentralized management, maverick buying	▪ Enterprise Commodity Council, cross functional teams
People	▪Generalist, tactical	▪ Sourcing and Supply Chain skill expertise, strategic and tactical
Technology	▪Patchwork legacy, lack spend analysis tool	▪ Technology follows process, paperless, e-procurement
Customers	▪Unhappy, find work-around, lack of feedback	▪ Trust the system, part of the end to end process, active CRM
Suppliers	▪Many, reactive relationships, ineffective collaboration	▪ Collaborative supplier relationships ▪ Manage supplier performance via “Supplier Scorecard”

Matrix Relationship



Landing Gear Commodity Council Scope

FSC	Items
1620	Landing gear components
1630	Wheels and brakes
2620	Tires and pneumatics

Landing Gear Commodity Council Scope

F-16 Blk 5-32
F-16 Blk 40-50
B-1
B-52
C-5
KC-135
T-37
T-39
F-4

F-15A-E
A-10
B-2
F-22
C-130
E-3
T-38
F-5
H-53

Converting from ICS to organic

Limited management with Navy

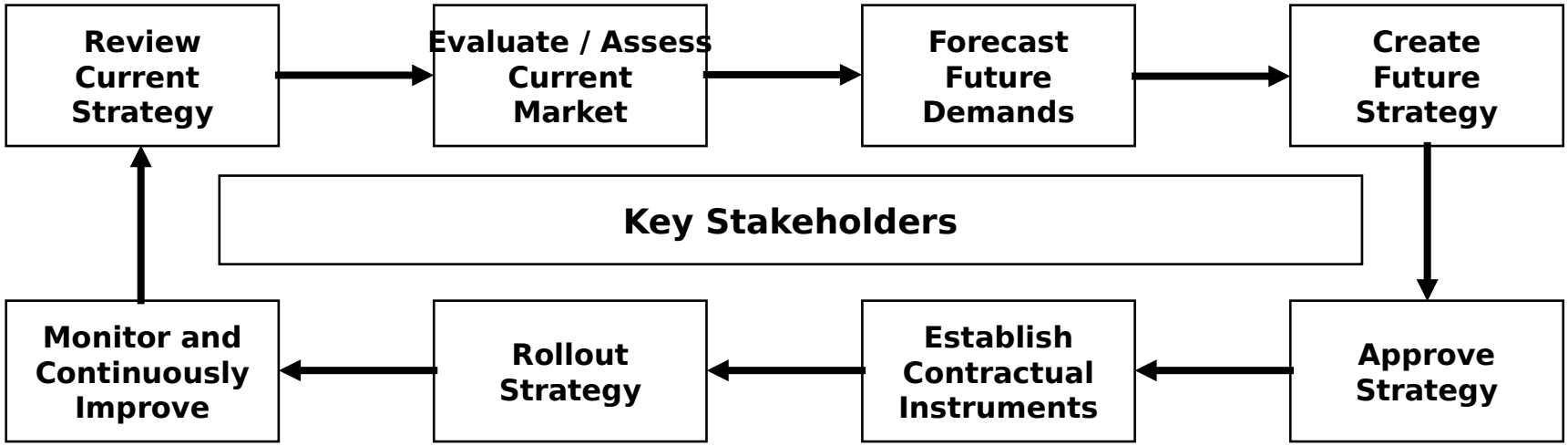
Investigating management

Include Performance

- User's top concerns not always found in:
  - MICAP analysis
  - Spend Analysis
- Example: F-15E link
  - 5 Mishaps
    - 1- near fatal
  - Top SSG item
  - ACC's #1 LG concern
  - Top-30 MICAP list
    - 20 are LG items
    - Rigid link not on list
  - Spend analysis
    - Rigid link not on list
- Will focus on whole picture

Process

Commodity Council Process



Steps 1 & 2

1.0	**Review current procurement and supply chain strategy**
1.1	Conduct spend analysis
1.2	Identify stakeholders & customers
1.3	Identify current initiatives/contracts
1.4	Identify barriers and impediments
1.5	Evaluate Commodity Procurement and Supply Support of Stakeholder & Customer Needs
1.6	Define Performance Baseline for Commodity
1.7	Develop summary of current procurement and supply chain strategy
2.0	**Evaluate/Assess current market**
2.1	Determine data sources
2.2	Document Market Trends
2.3	Analyze market for emerging suppliers, products and services
2.4	Exchange information between PSCM-CC's and Potential Suppliers (include MA)
2.5	Collaborate with Suppliers on Capacity / Capabilities (include MA)
2.6	Determine Market Availability of Commodities
2.7	Stratify Suppliers by Socio-Economic Status
2.8	Develop key industry cost drivers
2.9	Develop Market Assessment Profile (MAP)

Steps 3 & 4

3.0	**Analyze Forecast Future Demands**
3.1	Collect Forecast Future Demand by Commodity
3.2	Review Forecast Future Demands
3.3	Review Historical Consumption
3.4	Evaluate Forecast Future Demand against Key Cost Drivers
3.5	Analyze Projected Funding Against Forecast Future Demand
3.6	Validate Spend (Forecast) Plan with Stakeholders
4.0	**Create Future Strategy & Plan**
4.1	Develop and prioritize commodity / supplier goals
4.2	Develop performance metrics data collection process and report
4.3	Analyze gap between existing strategy and goals
4.4	Develop strategies for meeting goals
4.5	Analyze demand plan against supply base capabilities
4.6	Mitigate internal/external threats to supply chain stability
4.7	Develop key supplier relationships
4.8	Develop Commodity / Supplier Strategy & Plan

Benefits of Council Strategies

Strategic Sourcing Offers *Mutual Benefits*

- **Leverage and Consolidation**
  - Opportunities to consolidate requirements thereby reducing supplier and AF contract management overhead

- **Risk Reduction**
  - Co-forecasting and planning help to improve joint relationships

- **Improved Performance and Reduced Cycle Times**
  - Long term relationships and improved co-forecasting lead to reduced cycle times, allowing the contractor to operate more efficiently

Benefits of Council Strategies

It's a Win – Win Opportunity

- **Understanding** each others needs, goals, issues
  - Learning how to become a **better customer** and **Supplier**
- Infrastructure, process, technology improvement, and collaboration **opportunities**
- Building **long term business relationships** helps manage costs, eliminate waste, improve profitability, encourage continuous improvement…ultimately supporting the Warfighter

Builds Trust and Credibility

Ambitions

- Improve supportability
  - Reduce MICAPs and backorders
- Improve efficiency
  - Reduce lead times
- Lower costs
  - Administrative
  - Part
  - Storage
  - Distribution
  - Improved reliability, life

Current Contracts

- Goodrich - Sole source strategic initiative
- Aircraft Braking Systems
  - Sole source strategic initiative
  - DLA contract w/ AF managed items
- Heroux – repair
- ATI – repair
- Messier-Bugatti – new brake acquisition
- Landing Gear – competitive, in work
- AF Tire – limited competitive, in work
- Honeywell – OC-ALC contract, can we add sole source items?